



Mr. William Caton
Acting Secretary
Federal Communications Commission
1919 M Street NW
Room 222
Washington, DC 20554
RE: GN Docket No. 96-113

RECEIVED

SEP 26 1996

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

September 24, 1996

Dear Commission Members:

DOCKET FILE COPY ORIGINAL

Thank you for taking the time to consider the barriers women entrepreneurs in telecommunications businesses face in trying to access capital. I'm hopeful that the following anecdotes-- all of which happened to either me or my two co-founders-- will help you gain additional insight into such problems, as well as formulate public policies designed to make the "brave new world" of deregulated telecom a frontier of opportunity for all interested parties-- regardless of their ethnicity, gender or business size.

My (former) company, Kansas Star Communications Inc., was founded by three women-- Deborah Hodge Jones, a Silicon-Valley based executive with extensive experience in marketing hi-tech, wireless solutions to OEMs; Ann Davis Crews, an electrical engineer who rose quickly through the management ranks at GTE; and I, who brought entrepreneurial experience coupled with first-hand knowledge of our target customers: SOHOs, or Small Office/Home Office businesses.

Our Acting Chairman of the Board was a former Sprint Vice President of Technology who now serves as the Chairman of the Board of a North Carolina-based telecom start-up. Under his leadership, that company just completed a very successful IPO. Our panel of advisors included the woman now serving as Governor Jim Hunt's technology advisor: at her urging, the State of North Carolina is constructing an ATM ring that will one day connect the state's schools, hospitals and major businesses. Our advisors also included successful entrepreneurs and the former head of one of North Carolina's most prestigious regional venture capital firms.

We were understandably proud of the expertise we had assembled and enthusiastically went about the process of raising money.

At first, it was really fun: we found that our "hit rate" of getting in to see venture capital firms in North Carolina was quite good-- due to our careful business planning, aggressive marketing and extensive networking. We were often invited back for subsequent meetings, a (rare) and very good sign in the world of money raising.

At the same time, we continued to work on attracting a strategic partner. We saw that as key-- rather like the "anchor tenant" indoor shopping malls often sign before going after other, smaller, retailers. A strategic partnership would unlock a lot of money from those venture capitalists and angels who had expressed interest in the company, but were hesitant to take the role of lead investor.

No. of Copies rec'd
List A B C D E

028

I'd spent months building relationships with several utility companies, speaking at various utility conferences about the "win/win" partnering opportunities the C-block auction afforded.

Finally the hard work appeared to be paying off. In late June, after several rounds of meetings with lower-level executives of a major midwestern utility, Kansas Star was invited to appear before 15 key decision makers-- who-- assuming they liked what they heard-- would pitch the partnership directly to the CEO/Chairman. What was supposed to be a one-hour meeting instead turned into an five-hour planning session. Not only were the decision makers sold-- they were very, very excited. We were told "off the record" by the vice president of finance that the partnership was more or less "a done deal." He personally was going to pitch the Chairman the following Tuesday.

We were elated. We walked out of the meeting and it took every measure of self-control I could muster to keep from doing a war whoop replete with cartwheel. Even our attorney-- no stranger to the art of negotiating venture capital deals and strategic partnerships-- was amazed and overjoyed.

Monday came and went. Tuesday morning came, and with it, the *Adarand* decision from the US Supreme Court. I read that morning's edition of the *Wall Street Journal* with a growing sense of unease, as I knew what *Adarand* portended for Kansas Star. As promised, the phone call from the utility also came on Tuesday morning. And I knew the news was bad as soon as I realized it was the utility's legal counsel-- calling to say that his company was going to pass on the opportunity. What had been a "done deal" only a few days ago was this morning null and void. I placed a few discreet phone calls simply to confirm what I'd already suspected: that the Chairman's answer had been not just "no," but "hell no" in light of *Adarand*. Never mind that Kansas Star remained essentially unaffected by the decision-- the Chairman was simply unwilling to enter into any kind of a partnership with any entity subject to potential litigation.

We allowed ourselves to wallow in self pity for about five minutes--and then fortified ourselves and our spirits by recalling the setbacks endured by many of the country's leading entrepreneurs, as well the "war stories" of our some of our own advisors.

We continued to try to raise money-- even after the FCC changed the rules to reflect its concern over *Adarand*. That's when Kansas Star went from being the darling of the venture capital circuit to something lower than the plague. Phone calls weren't returned. Faxes went unanswered. Invitations to pitch stopped coming.

One potential angel (a cofounder of Sun Microsystems) was blunt in his assessment: "As a team of women, you are extraordinary in the depth and breadth of your accomplishments and talent. Compared to men, you are merely mediocre," he told one of the company's cofounders in explaining his rationale for passing on investing in Kansas Star. "Take away the main advantage Kansas Star has--(its financial incentives)-- and it's no longer such an attractive investment."

I'll share just one last experience with you. While it is not directly related to the consequences of *Adarand* nor the subsequent rule changes, it points up some of the misunderstanding that exists toward women entrepreneurs in the marketplace today.

It was early December, and it was "do or die." The auction was eminent. We were pitching two "angels" both long past the age of retirement who'd built their respective fortunes in cable and radio.

They remained polite, but non-committal throughout our presentation. As the lead presenter that evening, I'd nudged them repeatedly to discuss whatever concerns they might have about making an investment. Normally, this was the point where other potential investors would bring up concerns such as terms,

potential litigation, lack of "hands on" wireless management experience, cost of the buildout, competition, etc. etc. We were prepared to answer all of them.

One of the men finally admitted that he was just uncomfortable with the idea of doing business with a woman-- let alone three of them-- namely because he had no experience with which to judge their integrity, their commitment nor their talent.

I appreciated his candor-- and his willingness to risk political incorrectness.

After that, we were resigned to the fact that we would not make it to auction. Despite weeks and months of working more than full time to raise money for the C-block auction; despite a strong management team (and a willingness to be replaced should we prove unable to do the job); an excellent business plan and a prestigious panel of advisors, it was clear that we weren't going to be among the bidders. The little we had raised had to be returned because we'd failed to reach our benchmark (a minimum amount with which we would go to auction.) The company disbanded, and the auction started without us.

Based upon Kansas Star's experience, I firmly believe that government incentives are not only necessary, but imperative if women-owned companies are to successfully bid for spectrum licenses. Now the Commission has the time to study the issue and gather evidence to demonstrate the unique market barriers women face in entering the communications industry. I encourage the Commission to conduct such a study quickly and adopt policies that will 1) truly provide an equal opportunity for women in communications and 2) withstand the threat of litigation.

If I can be of further assistance to the Commission, please contact me.

Respectfully submitted,

A handwritten signature in black ink, reading "E. L. Blanchard" followed by a horizontal flourish line.

Elizabeth L. Blanchard
President
Kansas Star Communications, Inc.

Address: 2108 Washington Boulevard
Kansas City, KS 66102
Telephone: 913/342-6787